

From: SAdams7943@aol.com on 05/07/2004 07:10:54 PM
Subject: HOME MORTGAGE DISCLOSURE

May 7, 2004

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

RE: Docket No. R-1186

Dear Secretary Johnson:

The NC Fair Housing Center, a nonprofit organization dedicated to the creation of equal housing opportunities and equal access to credit for all North Carolinians wishes to comment on proposed changes in the HMDA Database. As an advocate that uses HMDA data to assist me in analyzing discriminatory lending patterns I believe strongly that "knowledge is Power" and with power comes freedom.

Banks and financial institutions must be held accountable for making loans to traditionally underserved communities. This is possible, only if publicly available data documents how many and what types of home loans institutions are made to women, minorities, and to low- and moderate-income borrowers and communities. The publicly available data tables must be sufficiently detailed to enable the general public to assess if traditionally underserved communities are receiving affordable, prime loans or are disproportionately receiving higher cost loans. Without public dissemination of data, it is impossible to hold individual lenders or the industry at large accountable for making progress in offering equal access to loans with fair rates at fair terms.

The publicly available data tables are indispensable tools which allow community organizations such as the NC Fair Housing Center to hold lenders accountable for their lending activities. I am deeply troubled by the notice of proposed rulemaking which indicates that some data on lending by gender and prices of certain loans will not be in the publicly available data tables. I have been unable to use female testers in my audits of financial institutions because HMDA indicates that the denial rates for females significantly higher than the denial rates of men. With census data that indicates that the single female head of household is one of the fastest growing demographics in the nation we need more access to this data not less. Although as a member of NCRC and the Community Reinvestment Association of North Carolina I can access people who know how to use the HMDA-LAR raw data, most fair housing and civil rights organizations do not have the capacity to do so. For the vast majority of community groups and the public at large, the data tables are the equivalent of all the HMDA data that is publicly available. Therefore, the Center joins NCRC's belief that these data tables must have sufficient detail in order for the new pricing, loan type, and preapproval information to be widely available.

The NC Fair Housing Center strongly urges the Federal Reserve Board not to delete data tables that describe lending by gender and to increase the amount of detail in the proposed data tables. HMDA data has made possible significant increases in lending to underserved populations precisely because it was made public. Analysis of HMDA data has increased

access to capital and exposed unfounded risk assumptions. Community groups, public officials, civic leaders and other stakeholders have engaged lenders on how to best overcome unmet credit needs identified through data analysis which has led to the highest homeownership rates in history. This positive and proactive dialogue will continue if the new HMDA data elements become widely available and discussed.

The Center supports the specific comments and recommendations of NCRC:

Data Tables Should Be “Downloadable”

The FDIC has a number of large databases on banks by asset size and bank branches by state and metropolitan area that can be downloaded directly from the FDIC web page into a format that can be read by Excel and other widely available software. Similarly, NCRC urges the Federal Reserve Board and the Federal Financial Institutions Examination Council (FFIEC) to allow the general public to download the summary HMDA data tables into a format that can be read by Excel and other programs. While most community groups will not use the HMDA raw data, a larger segment of them are eager to download the summary tables into Excel and other software. Currently, the summary tables can only be printed, resulting in hours of data entry for those who wish to engage in additional analyses. There is no reason that these tables should not be in a format that can be downloaded. As our democracy becomes more dependent on information for an engaged citizenry, federal agencies should do all they can to make information available in a wide variety of formats.

Do Not Delete Tables on Lending by Gender

The Federal Reserve Board proposes to delete the Table 6 Series that provide detail on lending by gender and income. The rationale is that not many members of the general public find these tables useful. On the contrary, now that manufactured home loan data and other data elements are available, it becomes more important to have valuable information on what types of loans women are able to acquire. Moreover, the Table 6 Series is the only summary table available to the general public that considers lending to women of different income levels. NCRC reminds the Federal Reserve that for most members of the general public, the summary tables are effectively the only source of information for lending by particular lenders or the industry at large.

Manufactured Home Loan Data is Not Detailed Enough

In the tables of lending by census tract category or lending by groups of borrowers, the Federal Reserve Board proposes not to separately report lending trends by different purposes for manufactured home loans. In other words, the general public will only know how many manufactured home loans were offered for the purposes of home purchase, home improvement, and refinance lending considered together. NCRC appreciates that the Federal Reserve Board is striving for a balance between the imperatives of comprehensiveness and succinctness of information. It was hard enough wading through the 80 plus pages of tables and text descriptions of the proposed tables. In this case, however, the Federal Reserve Board errs too much on the side of succinctness.

At the very least, the general public needs information on how many home purchase loans were for traditional homes and how many were for manufactured homes for different groups of borrowers and census tracts. For instance, in the Table 4 Series, breaking out home purchase lending for manufactured homes versus traditional homes would result in only one or three more tables, depending on whether the separation is done for conventional home purchase, government-insured home purchase and/or conventional and

government-insured home purchase lending combined.

While NCRC urges the Federal Reserve to consider three more tables, the Federal Reserve should at least add one more table showing home purchase lending for manufactured homes only. Then members of the general public can determine how many home purchase loans were made for traditional homes by subtracting home purchase loans for manufactured homes from the proposed table on home purchase lending for traditional homes and manufactured homes combined.

Loans “Sold” Needs to Be Broken Out by Loan Type and Purpose

Table 3 Series provides information on loans sold by race, ethnicity, income of borrower, and minority and income level of census tract. The gender of the borrower is missing, and should be added. In addition, the Federal Reserve should further separate loan type and purpose for loans sold, in the same manner as Table 4 Series. Likewise, NCRC’s comments urging more information for manufactured home loans also applies to Table 3 Series.

Puerto Rico Census Tract Information for National Aggregate Tables

The Federal Reserve Board asks whether information regarding lending by race and income level of census tracts in Puerto Rico should be added to the national aggregate tables of lending by race and income level of census tracts. The Federal Reserve notes that race and income level of census tracts for Puerto Rico was not collected in the 1990 Census but was collected in the 2000 Census. The Federal Reserve also remarks that including lending by census tract for Puerto Rico in the national tables will render national trend analysis difficult since the Puerto Rico information will be in the data starting with the 2004 HMDA data but not in previous years’ data. Trend analysis, however, will already be difficult when comparing the 2003 HMDA data with previous years because the 2000 Census data and the 2004 definitions for metropolitan areas have rendered the data for 2003 and beyond not directly comparable with earlier years for lending by census tract category. Adding Puerto Rico census tracts does not fundamentally change the incompatibility issue. Consequently, a rationale for excluding the Puerto Rico data for lending by census tract category is not strong.[1] <#_ftn1>

The Puerto Rican data should be included. The Federal Reserve Board can then comment on lending by census tracts with and without the Puerto Rican data in their annual release of the data. The Federal Reserve could also include two summary tables (one for all single family lending and one for multifamily lending) at the end of the Table 7 Series, for example, showing lending by census tract with and without the Puerto Rico data.

Pricing Information for Government-Insured Home Loans

In a new Table 11 Series, the Federal Reserve proposes not to include loan pricing information for government-insured loans, asserting that most of the public attention has focused on loan pricing information for conventional loans. NCRC believes it would not be too difficult to add one or two tables on loan pricing information for government-insured loans precisely so that the general public can determine whether disparities in loan pricing is as important for government-insured home loans as for conventional loans. The Federal Reserve could easily add two tables for home purchase government-insured loans; one for first liens and one for subordinate liens as is done for the other tables. *The NC Fair Housing Center in its testing of financial institutions has found pricing differences in government-insured programs both within institutions and in comparison to other lenders offering the program.*

More Information for Pricing for Manufactured Home Loans

Table 12 Series has pricing information for conventional manufactured home purchase loans, first liens. An additional table should be added for government-insured manufactured home purchase loans so that the general public can determine if pricing disparities are similar or different in the conventional or government-insured manufactured home loan market. In addition, columns should show ranges of prices (percentage points above Treasury Rates) for manufactured home loans in Table Series 12 as is done for Table Series 11. In addition, since manufactured home loans have higher interest rates than traditional home purchase loans, one more column (10 percentage points or more above Treasury rates) should be added. Finally, the table should clarify that the pricing information is based on loan approvals rather than applications as is done for Table 11 Series.

Preapprovals by Minority, Income Level, and Gender of Borrower

The Summary Table A Series should include more information reporting preapprovals resulting in loan originations and denials by minority, income level, and gender of borrower.

A significant policy issue that motivated the inclusion of preapprovals was whether traditionally underserved borrowers had as much access as whites to preapprovals. Thus, in order to ascertain if this is the case, the data tables must have information by groups of borrowers, if not groups of census tracts, for this data. *The NC Fair Housing Center believes this table series will be critical to our analysis of home sales housing patterns. This data will not only be useful in identifying lending patterns but it will also assist us in investigations of the real estate sales market. Some Real estate brokers and agents will not show a property to a minority homeseeker without a pre- approval but do not require them for white homeseekers. Or in the alternative they require the minority homeseeker to be approved through their preferred lender but no such condition is placed on white homeseekers. This leads many minority homeseekers to mortgage brokers who often provide pre-approval letters through higher cost lenders. This may result in minority homeseekers ending up with higher cost credit than they deserve.*

Conclusion

The North Carolina Fair Housing Center appreciates this opportunity to comment on the proposed public disclosure tables because these tables are the most accessible format for HMDA data for most members of the general public. Again The Center strongly urges the Federal Reserve to retain the data for lending by gender it is the next frontier in fair lending investigations. The Center strongly recommends the additions of more detail to the proposed tables regarding manufactured home lending, pricing information, and preapprovals for different groups of borrowers. The Center hopes that the Federal Reserve will take this opportunity to enhance the level of information in the proposed public disclosure tables in order to instill confidence in our banking system. Our nation's continued progress towards providing greater access to capital depends on our ability to detect illegal or inequitable lending patterns through the use of publicly available HMDA Datasets and tables.

Stella J. Adams
NC Fair Housing Center
P O Box 1929
Durham, NC 27702-19299
919 667-0888 ext 30

919 667-1558 fax